

# Pitney Bowes Investor Relations Overview

December 4, 2019

# Forward-Looking Statements

*This document contains “forward-looking statements” about the Company’s expected or potential future business and financial performance. Forward-looking statements include, but are not limited to, statements about its future revenue and earnings guidance and other statements about future events or conditions. Forward-looking statements are not guarantees of future performance and involve risks and uncertainties that could cause actual results to differ materially from those projected. These risks and uncertainties include, but are not limited to: declining physical mail volumes; expenses and potential impact on client relationships resulting from the October 2019 malware attack that affected the Company’s operations; a breach of security, including a future cyber-attack or other comparable event; the continued availability and security of key information technology systems and the cost to comply with information security requirements and privacy laws; changes in, or loss of, our contractual relationships with the U.S. Postal Service or posts in other major markets; changes in postal regulations; competitive factors, including pricing pressures, technological developments and the introduction of new products and services by competitors; the United Kingdom’s potential exit from the European Union (Brexit); our success in developing and marketing new products and services, and obtaining regulatory approvals, if required; changes in banking regulations or the loss of our Industrial Bank charter; changes in labor conditions and transportation costs; macroeconomic factors, including global and regional business conditions that adversely impact customer demand, foreign currency exchange rates and interest rates; changes in global political conditions and international trade policies, including the imposition or expansion of trade tariffs and other factors as more fully outlined in the Company’s 2018 Form 10-K Annual Report and other reports filed with the Securities and Exchange Commission. Pitney Bowes assumes no obligation to update any forward-looking statements contained in this document as a result of new information, events or developments.*

**Note: Consolidated statements of income; revenue and EBIT by business segment; and reconciliation of GAAP to non-GAAP measures can be found on the Company’s Investor Relations website.**

## Sale of Software Solutions

On December 2, 2019, the Company announced that the previously disclosed sale of its Software Solutions Business to Syncsort for \$700 million in cash was completed, with the exception of its software and data business in Australia, which is expected to close in the first quarter of 2020, subject to regulatory approval.

## Adoption of New Lease Accounting Standard

The company adopted the new lease accounting standard, ASC 842, effective January 1, 2019 using a modified retrospective approach, which requires the Company to recognize and measure leases at the beginning of the earliest period presented and prior periods have been adjusted accordingly.

## Recast Financial Statements

Recast financial statements reflecting Software Solutions as a discontinued operation and the new lease accounting standard have been posted to the Company's Investor Relations website. This reclassified historical information does not take into account any other reclassifications that may be made to historical financial information to conform to the current year presentation.

## Market Exits

On January 31, 2019, the Company announced exits from direct operations in 6 smaller European markets (market exits). The transaction does not qualify for discontinued operations treatment and prior years have not been recast.



“  
We are building a foundation to give Pitney Bowes the opportunity for long-term success. Today, we are a streamlined, global technology company focused on shipping, mailing and related financial services that operates in markets where we have true competitive advantage.”

## Pitney Bowes

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Pitney Bowes is a global technology company helping clients succeed in commerce by removing the complexity of shipping and mailing, and offering flexible financing options

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Leading for the long-term

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Transforming the Company

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Driving portfolio to growth markets

# Pitney Bowes by the Numbers<sup>(1)</sup>

## Financial Snapshot: FY 2018 Adjusted Results

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## % of Revenue from Shipping Products & Capabilities

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## SG&A % of Revenue

<b>\$3.2<sub>Bn</sub></b> 2018 Revenue	<b>\$563<sub>MM</sub></b> 2018 Adjusted EBITDA	<b>\$301<sub>MM</sub></b> 2018 Free Cash Flow
<b>20%</b> 2017	<b>35%</b> 2018	<b>&gt;50%</b> Long-Term
<b>36.6%</b> 2017	<b>30.3%</b> 2018	<b>Improve 500+bps 2018-2022</b>

(1) Numbers recast to reflect Software Solutions as discontinued operations



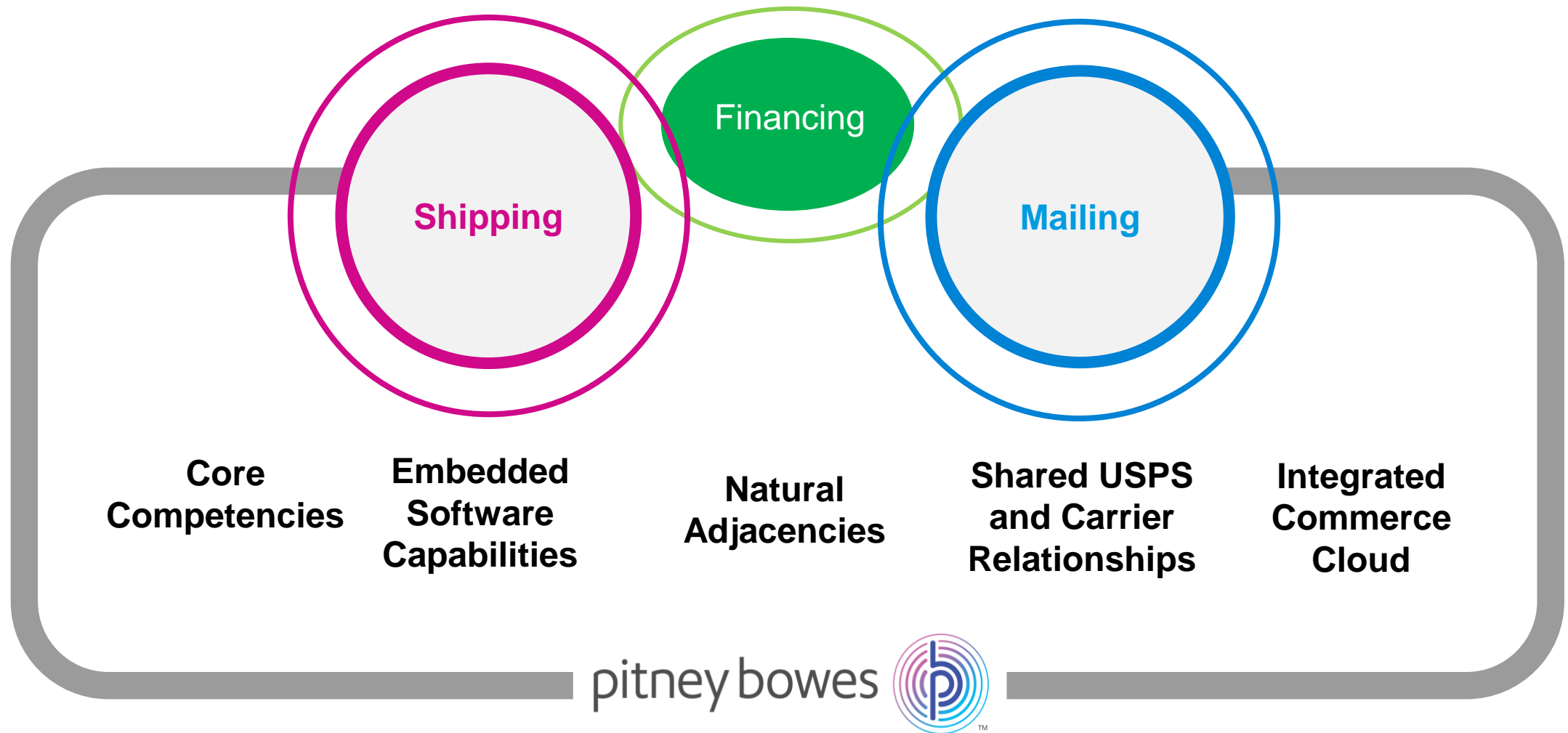
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Who we are



# A Simplified and Focused Business Model



### Domestic Parcel Services

#### Delivery



- Combining **proprietary delivery network** with **cost-effective** USPS last-mile delivery

- **125 million+ packages** processed through **14 operating centers**, inclusive of deliveries and returns
- Average delivery time of **less than 3 days**
- **15,000+ clients pickups** per year with **99.5% on-time performance**

#### Returns



- **Proprietary** label technology enables **faster processing** and **advance planning** for merchants

- Provides visibility of returns within 48 hours, allowing for quick consumer refunds
- Average **end-to-end cycle time** of **~4 days**
- Provides **special processing** for customized brand solutions

#### Fulfillment



- **National fulfillment network** with **proximity** to customers
- **Real-time visibility** of operations

- **5 fulfillment centers** with **1 million+ square feet**
- **99%** inventory accuracy
- **99%** of orders shipped same day
- **99.5%** order accuracy



## Cross Border Services & Shipping Solutions

### Cross-border retail



- Handle all facets of **enterprise retail cross-border expansion**
- Focused on global **retailers & brands**

- **\$350 million+** merchandise value processed annually
- **1.2 million** opted-in subscribers
- Presence in **200+** countries
- Accepts **25 payment types**
- Operates in **13 languages**

### Shipping solutions



- **Easy to integrate** with USPS services
- **3-day delivery guarantee**
- **Flexible** developer portal

- Digital label volumes through Shipping Solutions **growing 200%+ annually**
- Shipping Solutions includes **Shipping APIs + PB Complete Delivery**

### Cross-border delivery services

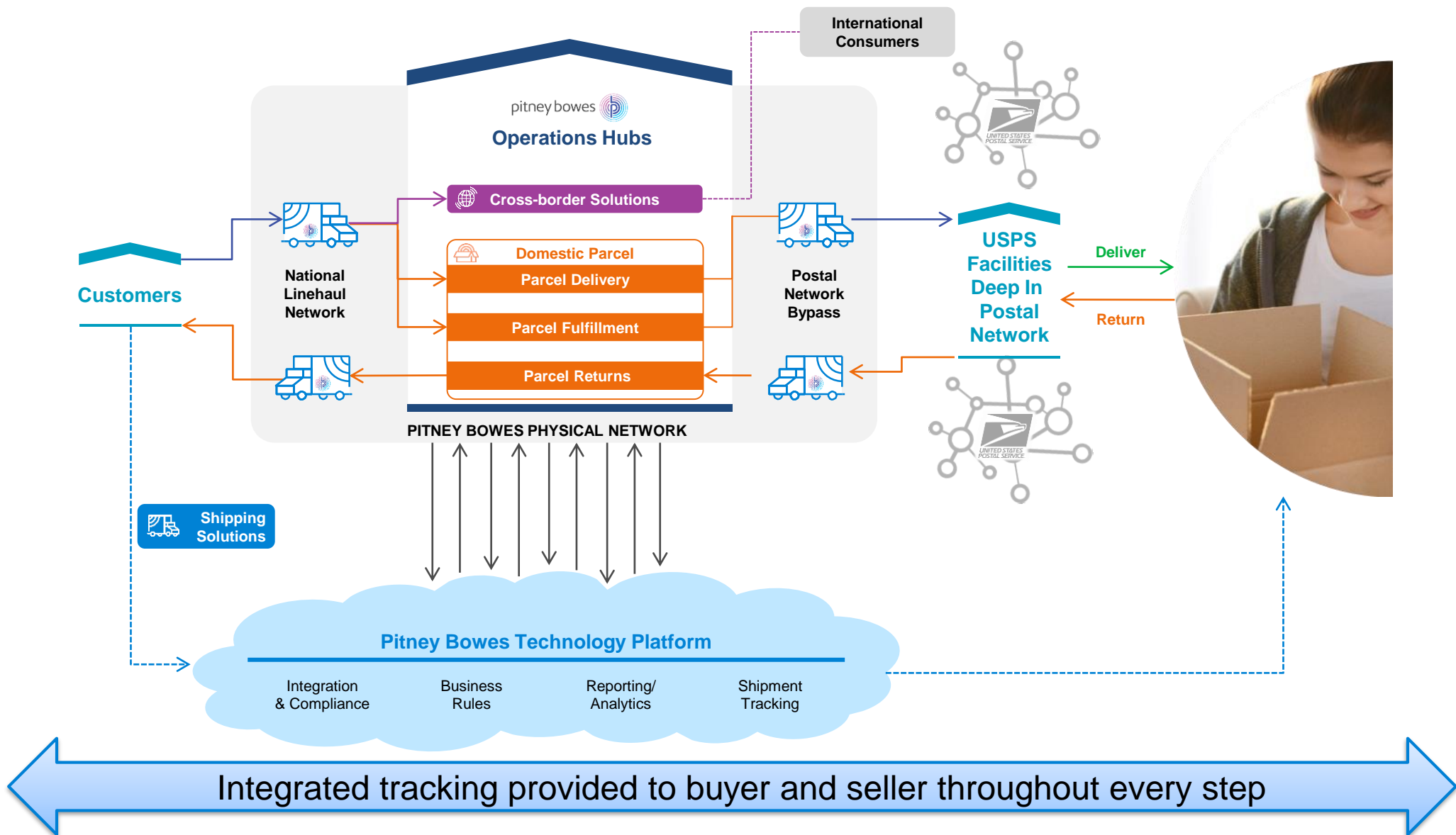


- **Guaranteed quotes** for international checkout
- Ability to handle **prepaid** and/or **postpaid** duties and taxes
- **Diversified carrier network**

- Serves **2 million+** sellers in **top marketplaces** since 2012
- Processes **13 million+** parcels annually
- **100 million** daily API calls

# Commerce Services

## Global Ecommerce Network



NOTE: PBI operations hub diagram for illustration purposes only.

# Commerce Services

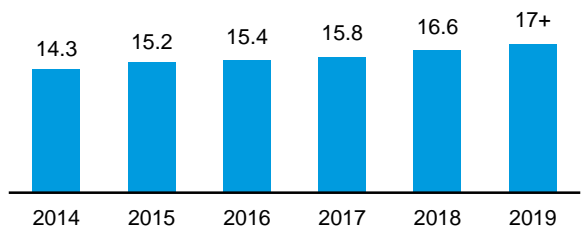
## Presort Services

### 1st Class & Marketing Mail



- **Proprietary** software enabling the **best possible postal discount**, optimizing customers' postage spend
- Full-service **USPS compliance**

Presort Volumes Processed



- 98% 5-digit capture rate
- Process 66 million pieces per day equivalent to 40% of USPS volumes

### Bound & Packet Mail (BPM)



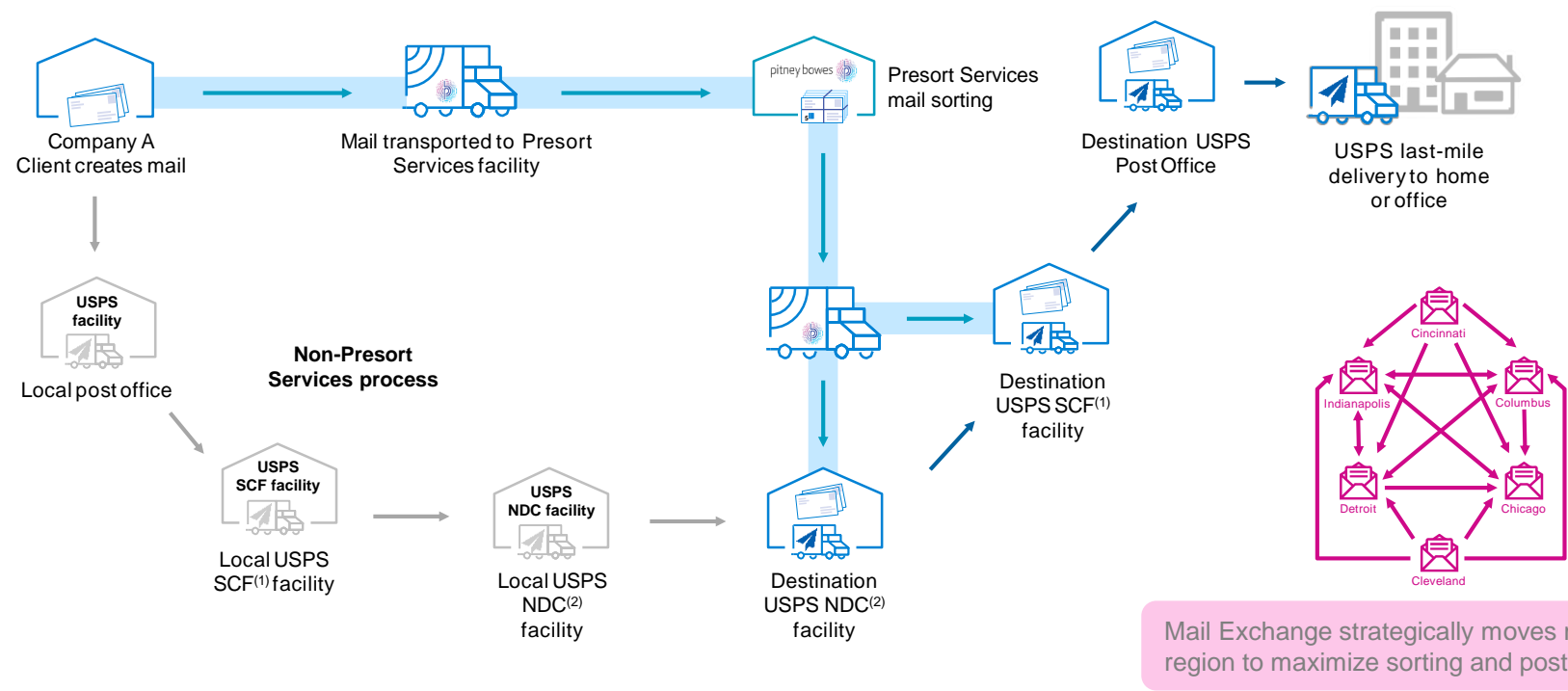
- **Expanded** mail class coverage
- **Automation** eliminates manual processes and **improves time to market**

- New and growing service capabilities in 7 facilities
- Potential to participate in specialized ecommerce markets, such as books or other flat parcels
- 2019 YTD BPM client counts have doubled over 2018
- Significant expansion in sorting automation equipment (e.g., high speed sorters) to enhance BPM processing efficiency



# Commerce Services

## Presort Services Network



### Key value propositions

- ✓ **Largest Workshare partner of the USPS**
- ✓ **Minimize internal equipment and labor expenses**
- ✓ **Reduce mailing costs through scale and commingling**
- ✓ **Improve delivery times through proprietary Presort network**

(1) Sectional Center Facilities (SCF) serve as Processing and Distribution Center (PDC) for Post Offices in a designated geographic area

# Sending Technology Solutions (SendTech)



**Market leader** in capturing US metered postage spend



**Installed base of ~1 million postage meters** with **100k+ SaaS cloud users** accessing shipping and mailing through the cloud



**750k+ SendTech clients** with average relationship of **8+ years**

**#1** global meter market provider



Direct operations in **9 countries**


**80%+** of transactions generated through tele/web sales channel

Indirect operations selling in **100+ countries**


## New product introduction









**Captive financier**




**Lending institution**





**State chartered bank**



**Issuer & merchant servicer**



**Deposit taking & FDIC Insured**  




**Operating Industrial Loan Company (ILCs)**

Provide integral support to SendTech services

Equipment

Enable 85% of customers to purchase the products that PBI manufactures and sells

Postage

~75% of customers utilize a deposit account or credit line from PB Bank to pay for postage

Expanding to lease other manufacturers' equipment

**Business services**



- Document Management Systems
- Telecom Systems
- Printers & Copiers

**Technology**



- Network & Server solutions
- Data Storage Solutions
- Software Systems

**Manufacturing & Industrial**



- Material Handling Equipment
- Forklifts
- Machine Tools

**Construction**



- Loaders
- Generators
- Backhoes

**Wholesale & Retail Trade**



- POS Systems
- WMS Systems
- Palletizers

**Healthcare**



- Imaging Equipment
- Dental Equipment
- Medical Lasers



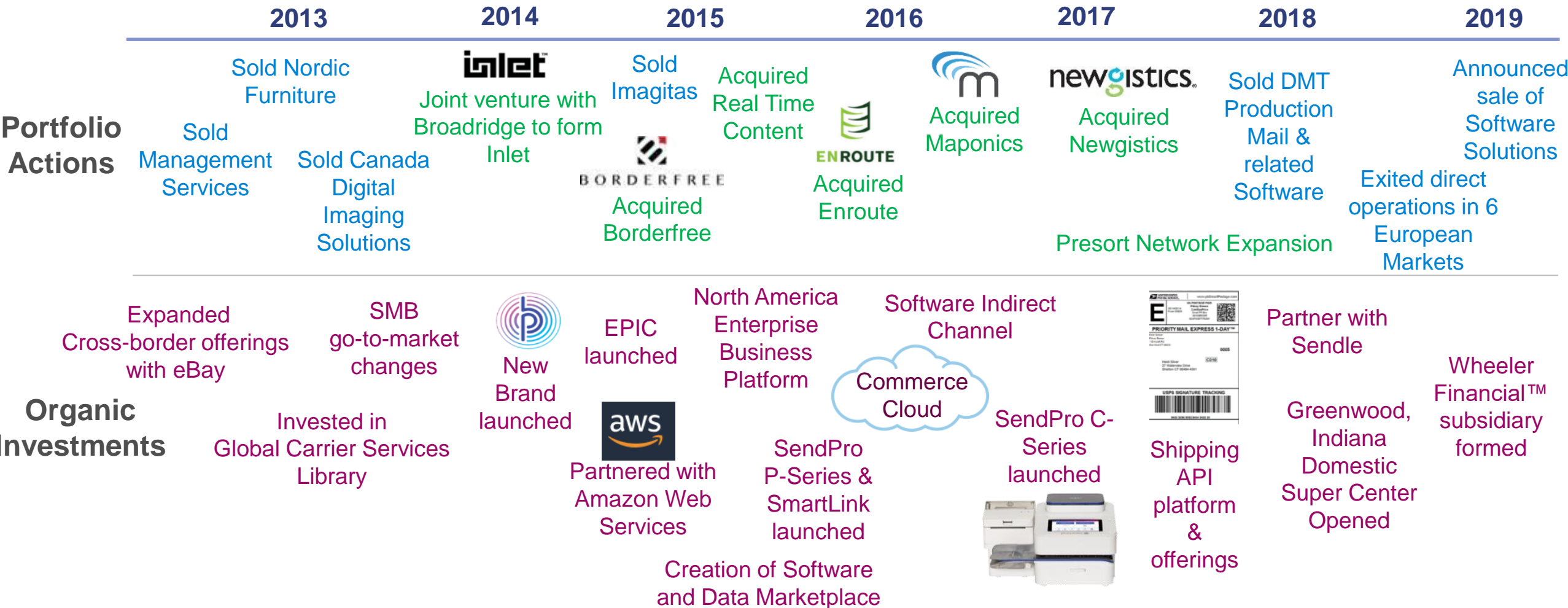
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Progress



# Continued Active Portfolio Management and Organic Investments support the Company's Transformation, Creating a Simplified, Focused Business Model



# Progress



2017-2018: 2 consecutive years of revenue growth – first time in a decade



2019-Long Term: continued revenue growth expected as portfolio shifts to shipping and expands financing offerings



2013-2018: \$1.0Bn reduction in debt-related obligations;  
Majority of net proceeds from Software sale to be used to pay down debt



2013-2018: ~80% gross inventory reduction



2013-2018: \$1.2Bn returned to shareholders in the form of dividends and share buybacks



# Long Term Strategy

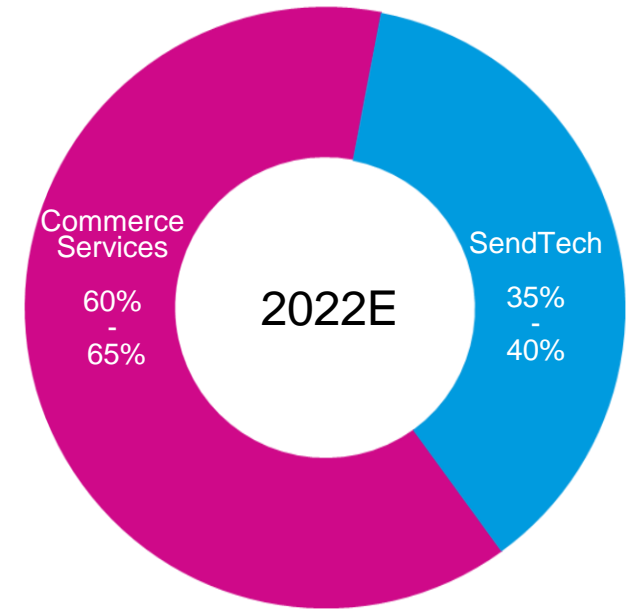
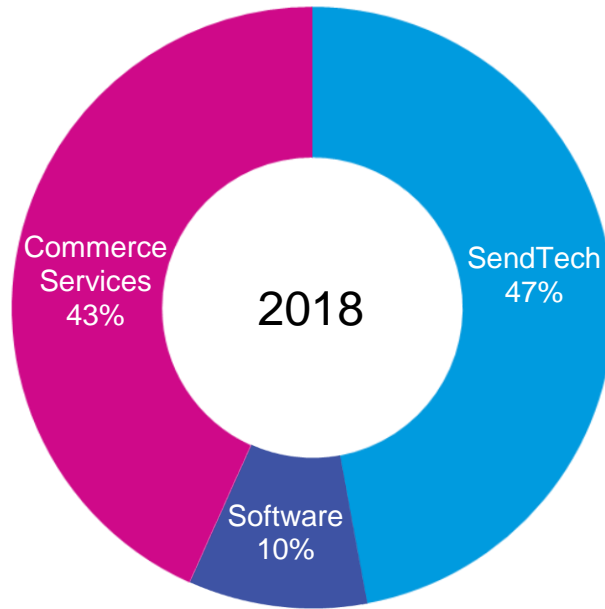
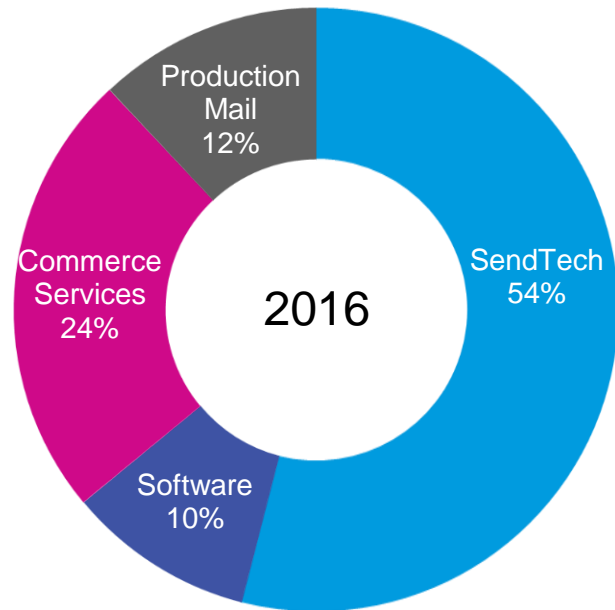


## Market Sizes and Long-Term Market Growth Rates

	Addressable Market Size (\$Bn)	Long-Term Market Growth Rate	Long-Term Market EBIT Margin %
<b>Commerce Services</b>			
Global Ecommerce	\$40 - \$44	12% - 14%	8% - 12%
Presort Services	\$3 - \$4	(2%) - Flat	15%+
<b>SendTech Solutions</b>			
Mailing	\$2 - \$3	(6%) - (5%)	} 30% - 35%
Shipping	\$2 - \$3	9% - 11%	

Third-party financing initiatives create additional market opportunity longer term

# Portfolio Evolution Further Shifts to Higher-Growth Businesses



**Pitney Bowes  
Growth<sup>(1)</sup>**      **(5%)**

**3%**

**5% - 7%**

**Market  
Growth<sup>(2)</sup>**      **(1%)**

**2%**

**4%**

(1) Annual revenue growth rate versus prior year. 2016 reflects revenue as reported prior to new Leasing Accounting Standard (ASC842). 2018 revenue growth rate reflects Newgistics in full year results for 2017; 2018 reported revenue grew 14%.

(2) Market growth rate based on weighting of portfolio and current long-term market growth rates

# Long-Term Financial Model Shows Revenue Growth Improvement as Portfolio Shifts to Growth Markets; Earning and Free Cash Flow Expansion will Follow

2022 Year-over-Year Change				
	% Portfolio	Revenue	EBIT \$	EBIT Margin %
Commerce Services	60% - 65%	Low double-digit growth	Double-digit growth	Low double-digit
SendTech Solutions	35% - 40%	Low single-digit decline	Flat to Low single-digit growth	30% - 35%
Pitney Bowes		Mid Single-Digit Growth	Double-Digit Growth	Mid Teens



# Capital Allocation



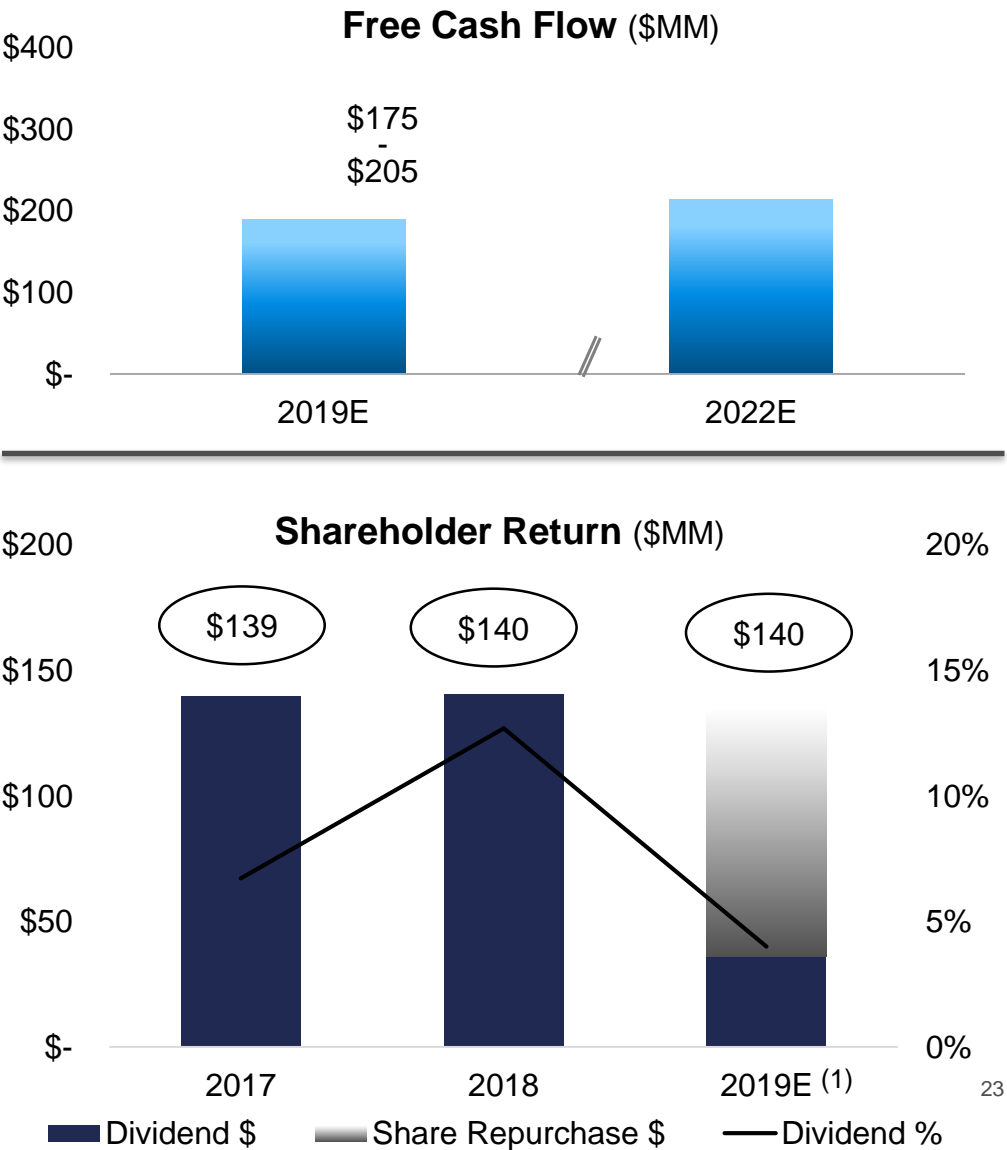
# Capital Allocation Priorities Focus on Investments in the Portfolio, Balance Sheet and Shareholder Return

## Continued Investment

- Shipping Capabilities
- Third Party Financing
- Automation
- Network Optimization

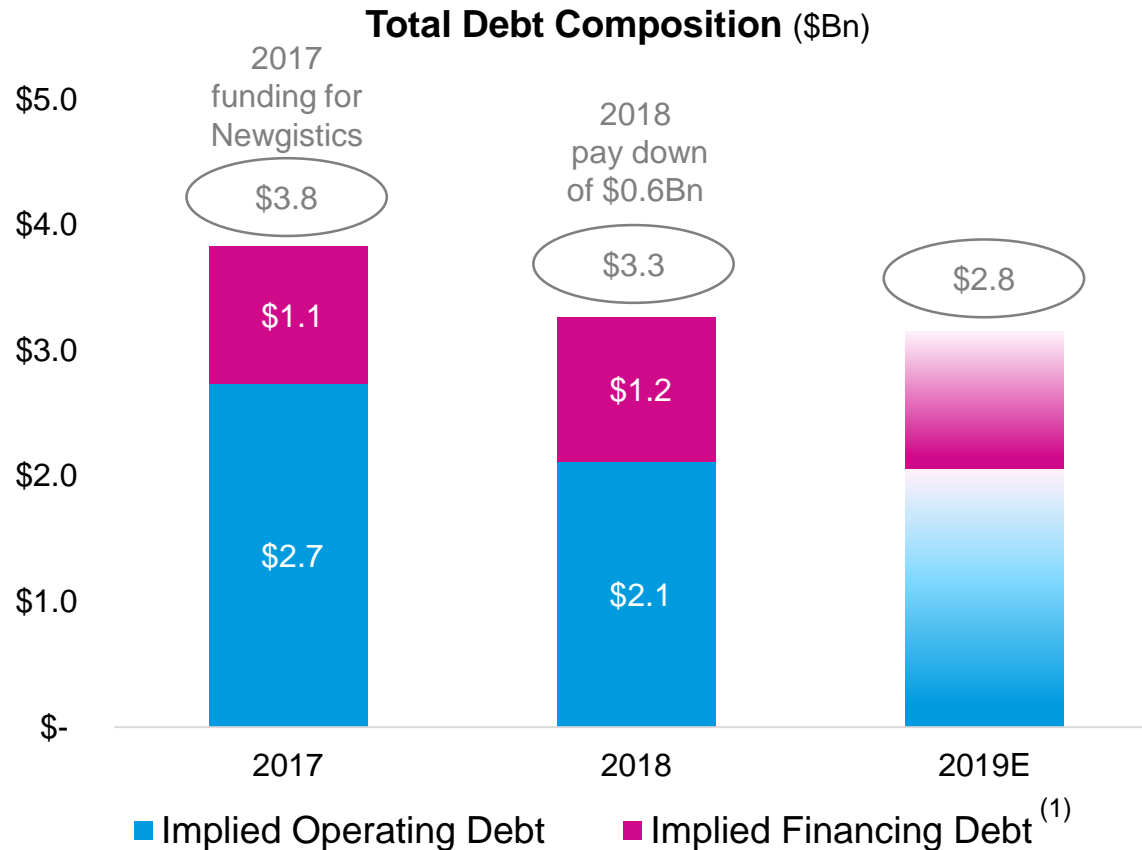
## Portfolio Criteria

- Strategic coherency
- Market leader, or plan to become leader, within respective market
- Earn an acceptable return





# Near-term Maturities Addressed using Net Proceeds from Sale of Software Solutions and Refinancing



## Debt Composition, at 09/30/2019 (\$Bn)

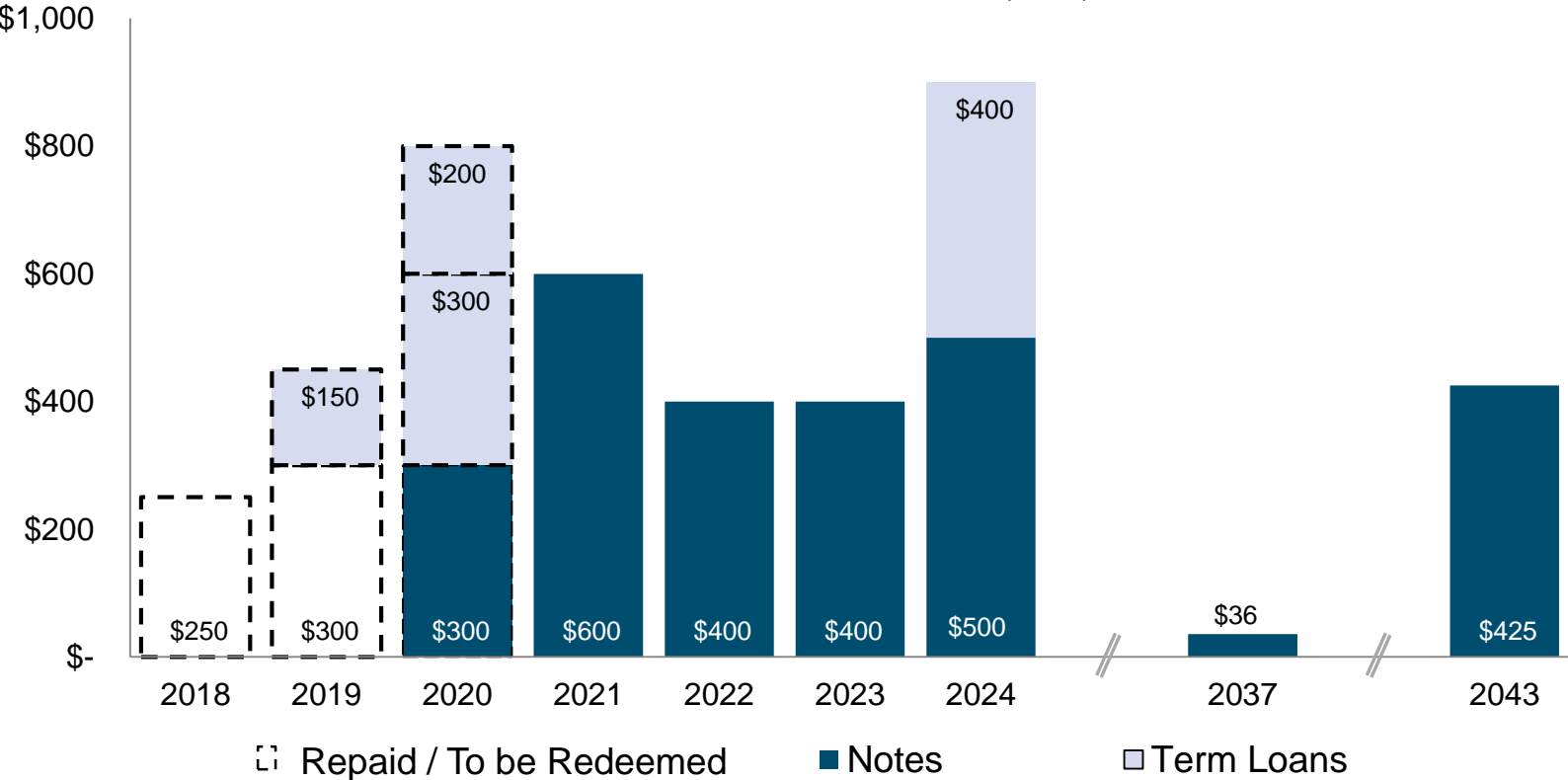
<b>Total Debt</b>	<b>\$ 3.1</b>
- Implied Financing Related Debt <sup>(1)</sup>	- 1.1
<b>Implied Operating Company Debt</b>	<b>\$ 2.0</b>
- Cash & S/T Investments on Balance Sheet	- 0.7
<b>Net Debt</b>	<b>\$ 1.3</b>
2020 Notes to be Redeemed <sup>(2)</sup>	- 0.3
<b>Estimated Net Debt at 12/31/2019</b>	<b>\$ 1.0</b>

(1) Total Finance Receivables at 8:1 debt:equity ratio

(2) Company announced its call for redemption of its 3.625% Notes due 2020. The Notes will be redeemed on December 27, 2019

# Near-term Maturities Addressed using Net Proceeds from Sale of Software Solutions and Refinancing

Debt Maturities Profile (\$MM)<sup>(1)</sup>



**In 2018**  
Paid down \$250MM and \$300MM

**In 2019**  
Repaid: 2019 & 2020 term loans total \$650MM  
To be redeemed: 2020 Notes \$300MM<sup>(2)</sup>  
Issued: 5-year Term Loan A for \$400MM  
Replaced: Revolving Credit Facility

(1) Numbers exclude term loan principal amortization  
(2) Company announced its call for redemption of its 3.625% Notes due 2020. The Notes will be redeemed on December 27, 2019

# Thank You

# Use of Non-GAAP Measures

*The Company's financial results are reported in accordance with generally accepted accounting principles (GAAP); however, in its disclosures the Company uses certain non-GAAP measures, such as adjusted earnings before interest and taxes (EBIT), adjusted earnings before interest, taxes, depreciation and amortization (EBITDA), adjusted earnings per share (EPS), revenue growth on a constant currency basis and free cash flow.*

*The Company reports measures such as adjusted EBIT, adjusted EBITDA and adjusted EPS to exclude the impact of special items like restructuring charges, tax adjustments, goodwill and asset write-downs, and costs related to dispositions and acquisitions. While these are actual Company expenses, they can mask underlying trends associated with its business. Such items are often inconsistent in amount and frequency and as such, the adjustments allow an investor greater insight into the current underlying operating trends of the business.*

*In addition, revenue growth is presented on a constant currency basis to exclude the impact of changes in foreign currency exchange rates since the prior period under comparison. Constant currency measures are intended to help investors better understand the underlying operational performance of the business excluding the impacts of shifts in currency exchange rates over the period. Constant currency is calculated by converting our current quarter reported results using the prior year's exchange rate for the comparable quarter. In addition, the Company reported the comparison of revenue excluding the impact of currency and market exits to prior year, which excludes the impact of changes in foreign currency exchange rates since the prior period and also excludes the revenues associated with the recent market exits in several smaller markets. This comparison allows an investor insight into the underlying revenue performance of the business and true operational performance from a comparable basis to prior period. A reconciliation of reported revenue to constant currency revenue, as well as reported revenue to "revenue excluding the impact of currency and market exits" can be found in the Company's attached financial schedules.*

# Use of Non-GAAP Measures

*The Company reports free cash flow in order to provide investors insight into the amount of cash that management could have available for other discretionary uses. Free cash flow adjusts GAAP cash from operations for capital expenditures, restructuring payments, unusual tax settlements, special contributions to the Company's pension fund and cash used for other special items. A reconciliation of GAAP cash from operations to free cash flow can be found in the Company's attached financial schedules.*

*Segment EBIT is the primary measure of profitability and operational performance at the segment level. Segment EBIT is determined by deducting from segment revenue the related costs and expenses attributable to the segment. Segment EBIT excludes interest, taxes, general corporate expenses not allocated to a particular business segment, restructuring charges and goodwill and asset impairments, which are recognized on a consolidated basis. The Company has also included segment EBITDA as a useful measure for profitability and operational performance, and an additional way to look at the economics of the segments, especially in light of some of the Company's more recent, larger acquisitions. Segment EBITDA further excludes depreciation and amortization expense for the segment. A reconciliation of segment EBIT and EBITDA to net income can be found in the attached financial schedules.*

*Pitney Bowes has provided a quantitative reconciliation to GAAP in supplemental schedules. This information can be found at the Company's web site [www.pb.com/investorrelations](http://www.pb.com/investorrelations).*



# Disclosure Using Social Media

Pitney Bowes announces material information to its investors using SEC filings, press releases, public conference calls and webcasts. The Company already makes frequent use of its investor relations website to disseminate material information, as well as social media platforms, including Twitter, Facebook and LinkedIn. Investors, buy and sell-side analysts, media and influencers should note that the Company plans to continue to announce material financial information using the Pitney Bowes investor relations website, SEC filings, and press releases, public conference calls and webcasts. Pitney Bowes is notifying investors, media and others interested in the Company that in the future, the Company may choose to communicate material information through its social media channels, or it is possible that information it discloses through social media channels may be deemed to be material. Therefore, Pitney Bowes encourages investors, the media, and others interested in the Company to review the information posted on the Company's investor relations site (<https://www.investorrelations.pitneybowes.com/>), Twitter (<https://twitter.com/PBnews> and <https://twitter.com/PitneyBowes>), Facebook (<https://www.facebook.com/PitneyBowes/>), and LinkedIn (<https://www.linkedin.com/company/pitney-bowes/>). The Company may communicate on social media platforms not listed here as well as create new accounts in the future. Any updates to the list of social media channels Pitney Bowes will use to announce material information will be posted on the Investor Relations page.

Consolidated Statements of Income  
(Unaudited; in thousands, except per share amounts)

	2018 ANNUAL	2017 ANNUAL
Revenue:		
Equipment sales	\$ 395,652	\$ 400,704
Supplies	218,304	231,412
Rentals	84,067	93,001
Financing	394,557	406,395
Support services	552,472	581,474
Business services	1,566,470	1,071,021
Total revenue	3,211,522	2,784,007
Costs and expenses:		
Cost of equipment sales	229,706	234,250
Cost of supplies	60,960	66,302
Cost of rentals	40,703	36,585
Financing interest expense	44,376	46,178
Cost of support services	170,351	167,278
Cost of business services	1,246,084	773,052
Selling, general and administrative	973,025	1,017,757
Research and development	86,527	76,805
Restructuring charges and asset impairments, net	25,899	44,849
Other components of net pension costs	22,425	5,413
Interest expense, net	115,381	117,984
Other expense	7,964	3,856
Total costs and expenses	3,023,401	2,590,309
Income before income taxes	188,121	193,698
Provision (benefit) for income taxes	6,416	13,659
Income from continuing operations	181,705	180,039
Income (loss) from discontinued operations, net of tax	60,106	63,489
Net income	\$ 241,811	\$ 243,528
Basic earnings (loss) per share attributable to common stockholders <sup>(1)</sup> :		
Continuing operations	\$ 0.97	\$ 0.97
Discontinued operations	0.32	0.34
Net income	\$ 1.29	\$ 1.31
Diluted earnings (loss) per share attributable to common stockholders <sup>(1)</sup> :		
Continuing operations	\$ 0.96	\$ 0.96
Discontinued operations	0.32	0.34
Net income	\$ 1.28	\$ 1.30

<sup>(1)</sup> The sum of the earnings per share amounts may not equal the totals due to rounding.

*The recast information included in this page is for the purpose of understanding the impact of the new lease accounting standard and the reporting of the Software business as a discontinued operation on historical information and does not take into account any other reclassifications that may be made to historical financial information to conform to the current year presentation.*

## Reconciliation of Reported Consolidated Results to Adjusted Results (Unaudited; in thousands, except per share amounts)

	<b>2018</b>	<b>2017</b>
	<b>ANNUAL</b>	<b>ANNUAL</b>
<b>REVENUE</b>		
Global Ecommerce	\$ 1,022,862	\$ 552,242
Presort Services	515,795	497,901
<b>Commerce Services</b>	<b>1,538,657</b>	<b>1,050,143</b>
North America Mailing	1,307,477	1,357,912
International Mailing	365,388	375,952
<b>Small &amp; Medium Business Solutions</b>	<b>1,672,865</b>	<b>1,733,864</b>
<b>Total Revenue</b>	<b>\$ 3,211,522</b>	<b>\$ 2,784,007</b>
<b>EBIT</b>		
Global Ecommerce	\$ (32,379)	\$ (17,899)
Presort Services	73,768	97,506
<b>Commerce Services</b>	<b>41,389</b>	<b>79,607</b>
North America Mailing	495,779	506,826
International Mailing	63,180	46,440
<b>Small &amp; Medium Business Solutions</b>	<b>558,959</b>	<b>553,266</b>
<b>Total Segment EBIT <sup>(1)</sup></b>	<b>\$ 600,348</b>	<b>\$ 632,873</b>
<b>EBITDA</b>		
Global Ecommerce	\$ 28,667	\$ 18,763
Presort Services	100,606	124,047
<b>Commerce Services</b>	<b>129,273</b>	<b>142,810</b>
North America Mailing	526,105	536,441
International Mailing	71,956	56,185
<b>Small &amp; Medium Business Solutions</b>	<b>598,061</b>	<b>592,626</b>
<b>Total Segment EBITDA <sup>(2)</sup></b>	<b>\$ 727,334</b>	<b>\$ 735,436</b>
<b>Reconciliation of Segment EBITDA to income from continuing operations</b>		
<b>Segment EBITDA</b>	<b>\$ 727,334</b>	<b>\$ 735,436</b>
Less: Segment depreciation and amortization	(126,986)	(102,563)
Unallocated corporate expenses	(185,919)	(219,924)
<b>Adjusted EBIT</b>	<b>414,429</b>	<b>412,949</b>
Interest, net <sup>(3)</sup>	(159,757)	(164,162)
Restructuring charges and asset impairments, net	(25,899)	(44,849)
Pension settlement	(31,329)	-
Other expense	(7,964)	(3,856)
Transaction costs	(1,359)	(6,384)
(Provision) benefit from income taxes	(6,416)	(13,659)
<b>Income from continuing operations</b>	<b>181,705</b>	<b>180,039</b>
(Loss) income from discontinued operations, net of tax	60,106	63,489
<b>Net income (loss)</b>	<b>\$ 241,811</b>	<b>\$ 243,528</b>

<sup>(1)</sup> Segment EBIT excludes interest, taxes, general corporate expenses, restructuring charges and other items, which are not allocated to a particular business segment.

<sup>(2)</sup> Segment EBITDA is calculated as Segment EBIT plus segment depreciation and amortization expense.

<sup>(3)</sup> Includes financing interest expense and interest expense, net.

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Reconciliation of Net Cash from Operating Activities to Free Cash Flow  
(Unaudited; in thousands)

	<b><u>2018</u></b> <b><u>Annual</u></b>	<b><u>2017</u></b> <b><u>Annual</u></b>
Net cash provided by operating activities	\$ 342,879	\$ 456,809
Net cash used in operating activities - discontinued operations	7,915	(41,955)
Capital expenditures	(137,810)	(120,280)
Restructuring payments	52,462	26,080
Reserve account deposits	21,008	10,954
Transaction costs paid	14,203	7,396
Free cash flow	<b><u>\$ 300,657</u></b>	<b><u>\$ 339,004</u></b>